

**SOUTH CAROLINA SECRETARY OF STATE'S
OFFICE**

ANNUAL ACCOUNTABILITY REPORT

Fiscal Year 1999-2000

October 20, 2000

Mr. Les Boles
Director, Office of the State Budget
1122 Lady Street, 12th Floor
Columbia, SC 29201

Dear Mr. Boles:

Enclosed please find the Secretary of State's Annual Accountability Report for fiscal year 1999-2000.

As set forth by the South Carolina Constitution and the South Carolina Code of Laws, the Secretary of State is responsible for the statewide registration of corporations, Uniform Commercial Code security interests, public charities, notary publics, trademarks, employment agencies, and business opportunities. The office also handles the incorporation of municipalities and special purpose districts, the annexation of land, and the escheatment of real and personal property. Finally, the Secretary of State regulates charities and their professional fundraisers and investigates counterfeit trademarks.

Since the primary purpose of the office is to review and accept filings from the various entities described above, our primary performance measure is the number of filings and their percentage change from the previous year. Priorities for different divisions are made by judging the volume of filings. Using customer input, we then judge our performance by the timeliness of processing the filing.

During 1999-2000, we recognized that in order to increase the efficiency that taxpayers expect of government, we must improve our technology. As such, we launched our agency website by focusing on what our customers demanded: access to our forms, information about the office and even better customer service. However, they also demanded electronic access to our corporate and charity databases; so, we began work to issue an RFP to provide a computer system with that capability.

With these technological advances, along with our continued emphasis on customer service and fighting charity fraud, we are looking forward to 2000-2001 and the opportunities it presents for the people of South Carolina. For further information on this report, please contact my Deputy Secretary, Neil Rashley, at 734-2157.

With kind regards, I am

Sincerely,

Jim Miles
Secretary of State

EXECUTIVE SUMMARY

As one of the smaller state agencies in state government, the Office of the Secretary of State faces unique challenges in providing its diverse services to the citizens of South Carolina. With the vibrant business activity in this state, the volume of individuals and businesses using our office continues to increase rapidly. Because of the relatively small size of the office and the increase in filings, it is highly critical we continue to use our resources in the most efficient manner possible.

To appreciate the volume of this increase, one needs to only look at the total number of business filings made last year: 88,938. This figure is more than 20,000 higher than the previous year, a 32% increase. Still, the number of staff remained the same at 11. There is no doubt that the office's responsibilities are growing and even greater demand will be made in the future.

One of the hallmarks of the Secretary of State's office is its emphasis on customer service. Along with personal service, Secretary Miles guarantees a 24-hour turnaround for all filings. This is essential to the business community; when a filing is made, then it should be on our records within 24 hours. This is a difficult task given the increase in volume and a limited staff. Most states do not offer this; many charge higher fees for "expedited" service. Still, the South Carolina Secretary of State sees this as a basic requirement of state government and achieves this on a regular basis.

Another critical goal of the office is efficiency. The increased workload has brought on a need for better technology. In 1999-2000, the office introduced its website in order to provide increased access to the office and its forms. The office is also preparing an RFP to purchase a computer system that provides electronic filing and searching. Customer surveys show that business customers prefer to do business with our office via the Internet. (61% stated their interest in Internet access to the office.) This includes not only filing records such as articles of incorporation but also searching our records, such as filed Uniform Commercial Code security interests. When such a system is in place, the customer will do more of the filing and searching, freeing the staff to focus on more complex customer matters.

The 1999-2000 Accountability Report is arranged as one main program separated into divisions representing the numerous responsibilities of the office. This arrangement accurately reflects the office as we pay all of our programs out of one common fund. There are no line item programs in the Secretary of State's budget. The divisions in this report are placed in order of volume and, thus, the demand they place on our budget. However, as with all small agencies, since most Secretary of State employees handle responsibilities from different areas of the office, there are overlaps in allotment of the office's resources.

MISSION STATEMENT

The mission of the Secretary of State's office is simple: to provide the taxpayer with the best return on their investment in government.

As established by the South Carolina Constitution, with duties defined by the South Carolina Code of laws, the Secretary of State is responsible for the statewide registration of corporations, Uniform Commercial Code security interests, charitable organizations, employment agencies, trademarks, notary publics, and business opportunities. The office also handles the incorporation of municipalities, special districts, annexations of land and the escheatment of both real and personal property. In addition to these registration requirements, the Secretary of State regulates and investigates state trademark infringement, employment agencies, charitable organizations and charitable fundraisers.

The office recognizes its responsibility in providing timely and accurate records for the public. Prompt and personal service is a hallmark of the Secretary of State's office. Efficiency, through technological advances, further advances this goal. The Secretary of State works to be nothing less than the leader in state government in customer service.

LEADERSHIP SYSTEM

The Office of the Secretary of State utilizes a team-oriented approach under the active leadership of Secretary Miles. The Deputy Secretary oversees each division and their supervisors. Since there are many areas the office is responsible for accepting filings for, these areas are divided into divisions and headed by supervisors.

Each supervisor oversees a staff that directly reports to that supervisor. Directors are encouraged to work closely with their teams and the administration to ensure that customer service is at a premium and that morale remains high. Each director emphasizes to every employee that personal service is a priority. Since the office is small (35 employees) each director has a relatively small staff.

Further, the staff's input on how the office is managed is crucial. The office management understands that since the staff is the part of the office that is most in touch with the public then their ideas and suggestions are critical. This feedback again helps achieve the office's ultimate goal of providing the best service possible at the lowest cost.

Finally, through effective cross-training, the office enables staff to increase their awareness of the diversity of the office while also developing a well-rounded employee who is capable of advancing and leading in many capacities in the future.

All in all, as a small state agency, the Secretary of state encourages growth amongst its employees. All employees are held to high standard in order to ensure optimum customer service.

CUSTOMER FOCUS AND SATISFACTION

The Secretary of State's office has two primary functions: filing documents and acting as a repository for those documents in order to enable searches. It is well understood that the customers expect an easy, streamlined filing process – one that gets the customer in and out as quickly as possible. The search process is similarly designed.

Recent customer surveys show overwhelming support for the performance of the office: over 92% approved of how the office operated. Still, 61% wanted the office to provide Internet access in order to improve its operations. This indicates that although the customer was happy with the status quo, there is a desire to even better provide our services and that we need to address that desire.

As such, our website now allows the customer to download any of our forms, a critical function of the office. The site also provides information about the functions of the office, answering many of the customer's questions and, thus, decreasing phone calls; all in all this allows more time for complex requests to get more personal attention.

Also, with the purchase of a more advanced computer system, the office hopes to provide the customer to file and search online from a remote location. This will ultimately reduce paperwork and free the staff to address more demanding matters.

Finally, notwithstanding the technology, the office still works hard to make all filed documents available within 24 hours of their filing. The public has consistently told us that this is important; therefore, unlike the majority of states, the South Carolina Secretary of State provides this service. Customers now can rely on the Secretary of State's records to be up-to-date and accurate.

OTHER PERFORMANCE EXCELLENCE CRITERIA

As described in the above Leadership System statement, the office encourages information sharing throughout the staff. As a filing office, the office's most vital function is that of information retention. Supervisors consistently meet with the Deputy Secretary to review this information and to effectively plan for the future. With this basic information, customer input is utilized to from this plan.

Since the office is small, it is easy for the Deputy and the supervisors to closely monitor all functions of the office. In fact, all supervisors are deeply involved in the day-to-day operations of the office.

From a human resource standpoint, the secretary recognizes that the office's employees have their own lives outside of the office and, notwithstanding the high demands of the volume of filings, encourages all employees to be active in their family lives. Through management's support of this objective, morale is high and turnover low. The majority of the office has been her for more than 5 years. This results in a knowledgeable staff that better addresses the customer's needs.

DESCRIPTION OF PROGRAMS

Program Name: Administration

Program Rank: 1

Program Cost: \$1,290,124

BUSINESS FILINGS DIVISION

Division Goals: The Business Filings Division of the Secretary of State's office has two major responsibilities: (1) the registration of all businesses organizing or incorporating in South Carolina and (2) the filing of all Uniform Commercial Code security interests as required by S.C. Code §§36-9-401 through 36-9-408. Businesses that must register with our office include corporations, non-profit corporations, limited liability companies, limited partnerships and limited liability partnerships. Any out-of-state business entity wishing to transact business in South Carolina must first qualify to do business through the Secretary of State. The Secretary of State also issues Certificates of Existence to all South Carolina business entities registered with our office that wish to do business outside of the state.

Due to the large volume of filings in this area, along with a small staff, it is our goal to provide a knowledgeable, responsive and responsible staff that not only understands the importance of these filings but also the different inquiries from our customers.

Division Objectives: The division's primary objective is to make the registration and search process as efficient and user-friendly as possible through the effective use of technology and training.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>%Change</u>
Total Business Filings			
Number of Filings	88,938	67,513	32%
Number of Staff	11	11	0%
Breakdown of Filings			
Corporations (Domestic)	24,280	8,381	190%
Corporations (Foreign)	4,876	3,229	51%
Limited Liability Companies	7,355	6,036	22%
Non-Profit Corporations	2,962	1,848	60%
Uniform Commercial Code 1	33,191	32,119	3%
Uniform Commercial Code 3	16,000	14,766	8%
Other	274	1,134	-76%

NOTARY PUBLICS, BOARDS AND COMMISSIONS DIVISION

Division Goals: This division is responsible for the commissioning of all notary public and elected or appointed officials for the State of South Carolina. Other duties of this division include: providing apostilles and certifications, issuing bonds for all state and local officials, filing bonds issued by state boards and commissions and acting as the custodian of Acts ratified by the General Assembly and of Executive Orders issued by the Governor each year. With these duties in mind, it is important that accurate records are kept that can be easily accessed.

Division Objectives: The primary objective is to timely file all records required of this division and provide an accessible database for the public.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
Notary Registrations			
Number of New Filings	7,404	7,847	-6%
Number of Renewals	6,620	6,438	3%
Duplicates and Changes	636	657	-3%
Total	14,660	14,942	-2%
Boards and Commissions			
Oaths and Commissions	5,638	7,000	-23%
Bonds	65	120	-49%
Apostilles/Certifications	5,477	5,000	10%
Total	11,180	12,120	-8%
Executive Orders	54	59	-8%
Ratified Acts	229	211	9%

PUBLIC CHARITIES DIVISION

Division Goal: Pursuant to the Solicitation of Charitable Funds Act, S.C. Code §§ 33-56-100 et. seq., the Secretary of State is responsible for the administration of the Act including registration of all charitable organizations and professional fundraisers, annual financial reports of all charitable organizations, and financial records of solicitation campaigns. The Secretary of State also has the power to investigate fraudulent activities of charitable organizations and their fundraisers, issuing fines and injunctions and, in egregious cases, criminal warrants.

Division Objectives: Through the registration of all applications and financial reports, the Secretary of State provides the public an accurate record of who is raising funds for charitable organizations in South Carolina. This information gives any potential donor the information necessary to make an informed choice. Further, by closely reviewing financial reports and aggressively investigating fraudulent activities, including solicitations, illegal activities will be kept to a minimum.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
Total Charity Filings	10,741	8,870	21%
Breakdown of Filings			
Charities (New)	594	391	52%
Charities (Renewal)	3,573	2,832	26%
Annual Financial Reports	3,949	3,508	13%
Professional Solicitors (New)	28	21	33%
(Renewal)	64	64	0%
Fundraising Counsel (New)	17	19	-11%
(Renewal)	102	102	0%
Individual Solicitors (New)	824	788	5%
(Renewal)	224	257	12%
Exempt Organizations (New)	346	158	119%
(Renewal)	1,020	730	40%

TRADEMARKS DIVISION

Division Goals: Pursuant to S.C. Code §§ 39-15-1105 through 39-15-1190, the Secretary of State administers the statewide registration of trademarks and service marks. Along with the registration, the office also assists local law enforcement in the investigation and prosecution of trademark counterfeiting in this state.

Division Objectives: By having an active trademark registration system, the Secretary of State increases public awareness of the benefits of registering trademarks and service marks. The office actively investigates and enforces the trademark laws in order to protect intellectual property in this state.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
New Registrations	574	502	14%
Renewals	183	47	290%
Total	757	549	38%

MUNICIPALITIES AND ANNEXATIONS DIVISION

Division Goals: This division is responsible for the filing of all municipal incorporations and annexations. For municipal incorporations the office reviews the initial application and petition. For annexations, the office files the proposed annexation documents.

Division Objectives: The division works to insure that all legal requirements have been met for the incorporation or annexation process, including the proper procedure for election, and that the results of such elections have been certified.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
Incorporated Municipalities	269	269	0%
Annexations	485		

EMPLOYMENT AGENCY DIVISION

Division Goals: Pursuant to S.C. Code §§ 41-25-10 et.seq., the Secretary of State has the responsibility of registering and licensing all Private Personnel Placement Services (employment agencies). Placement services that do strictly temporary placement do not have to register or obtain a license. The office also has the power to review whether an agency has not complied with the above statutes in order to impose a fine, enjoin the agency, revoke a license or conduct a criminal investigation. This division strives to make the registration process as simple as possible while also closely reviewing each prospective agency for licensing.

Division Objectives: This division works to ensure proper registration of all employment agencies in this state. The division also monitors the industry to ensure compliance with the regulatory provisions of the statute.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
New Registrations	114	70	63%
Renewals	88	114	-23%
Total	202	184	10%

SPECIAL PURPOSE DISTRICT DIVISION

Division Goals: All special purpose districts within South Carolina must register their notification of their existence with the Secretary of State. (S.C. Code § 6-11-1620) These districts must first be approved by the county in which they are located. In order to remain active, special purpose districts must renew their notification biennially.

Program Objectives: The division's primary objective is to efficiently and accurately record notifications of special purpose districts. The Secretary of State also publishes a listing of all active and inactive special purpose districts every two years.

Performance Measures:

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
Active Districts	180	180	0%
Inactive Districts	116	116	0%
Total	296	296	0%

BUSINESS OPPORTUNITIES DIVISION

Division Goals: Pursuant to S.C. Code §§ 39-57-10 through 39-57-80, the Secretary of State registers all non-exempt business opportunities offered in South Carolina. Registrations cost \$100 and are renewed biennially.

Division Objectives: Through registration and oversight this division works to continue public awareness of business opportunities, the need to register and penalties for not registering.

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
New Filings	58	84	-31%
Renewals	18	10	8%
Total Filings	76	94	-19%

SERVICE OF PROCESS DIVISION

Division Goal: Pursuant to various statutes in the South Carolina Code, the Secretary of State acts as the statutory registered agent for particular business entities. Primarily, this occurs in the situation of an out-of-state corporation that does not have authority to do business in South Carolina; however, statutes concerning other entities also enable the Secretary to act as such. Once it is determined that it is proper for the Secretary to accept

service, then a copy of the Summons and Complaint is sent to the defendant via certified mail. A \$10 fee is required.

Division Objectives: The division's primary objective is to review all summons and complaints received in the office and to properly determine which papers are proper for the Secretary to accept as agent. Prompt delivery of the papers is then required.

	<u>1999-2000</u>	<u>1998-1999</u>	<u>% Change</u>
Papers Accepted for Service	475	355	25%